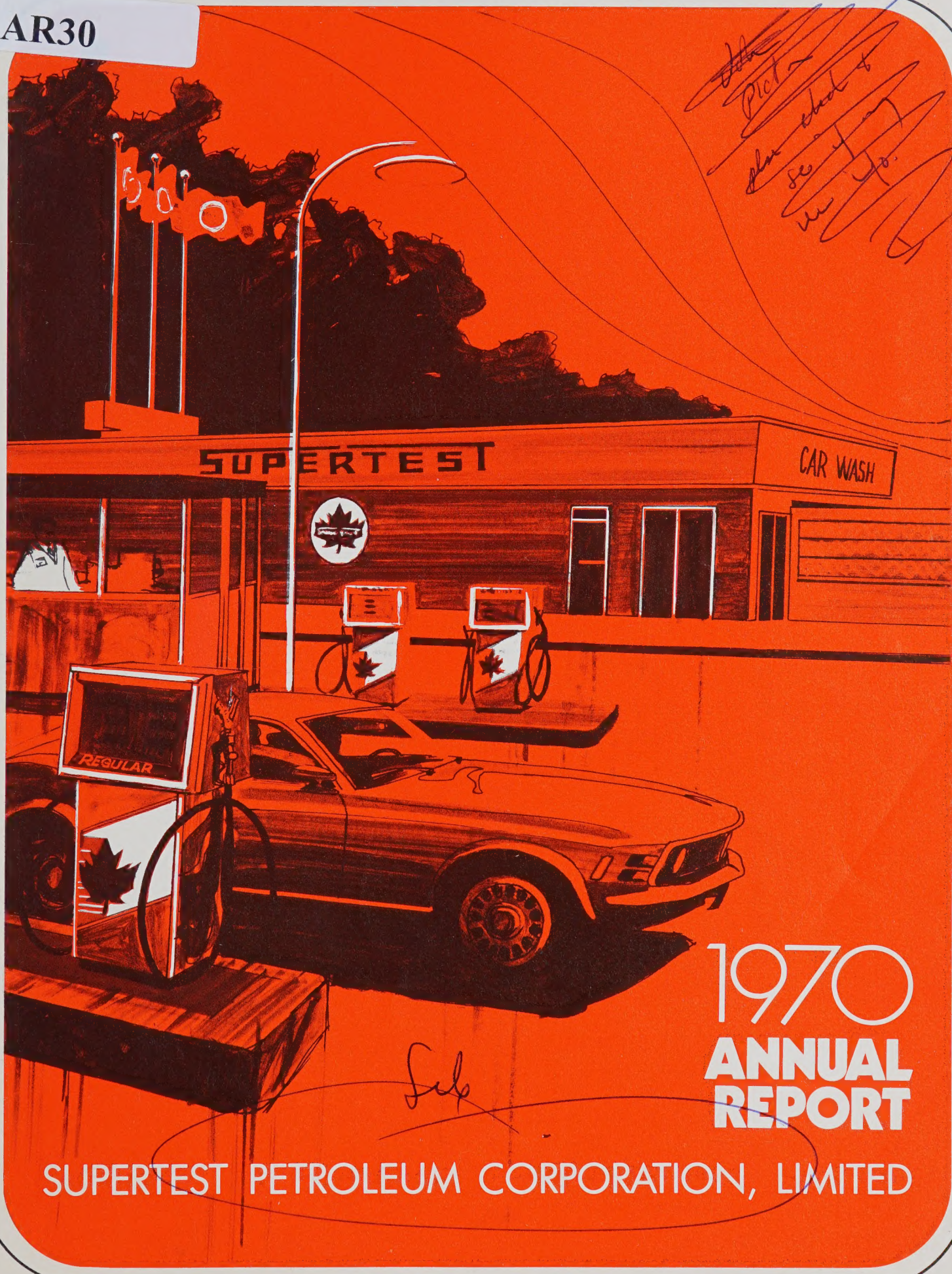


Now part of  
BP Canada Ltd

AR30

*John  
Pict -  
plus sheet &  
see if any  
new info.*



1970  
**ANNUAL  
REPORT**

*Sub*

SUPERTEST PETROLEUM CORPORATION, LIMITED





Personal appearance is an important part of the original sound merchandising concepts on which the Company was founded.

These three uniforms in the latest style and colours carry on the tradition in a practical way for all seasons.





433-2377

# SUPERTEST PETROLEUM CORPORATION, LIMITED

## Canada's All Canadian Company

### DIRECTORS

S. C. BACON  
R. G. IVEY, Q.C., LL.D.  
F. W. P. JONES  
J. D. JUDGE  
D. D. C. McGEACHY  
R. W. MITCHELL, M.B.E., Q.C.  
F. J. MOORE  
J. H. STEVENS  
J. A. TAYLOR  
A. S. THOMPSON  
JAMES G. THOMPSON  
J. G. THOMPSON  
D. G. WALLACE  
LIEUT.-COL. D. B. WELDON, M.C.

### OFFICERS

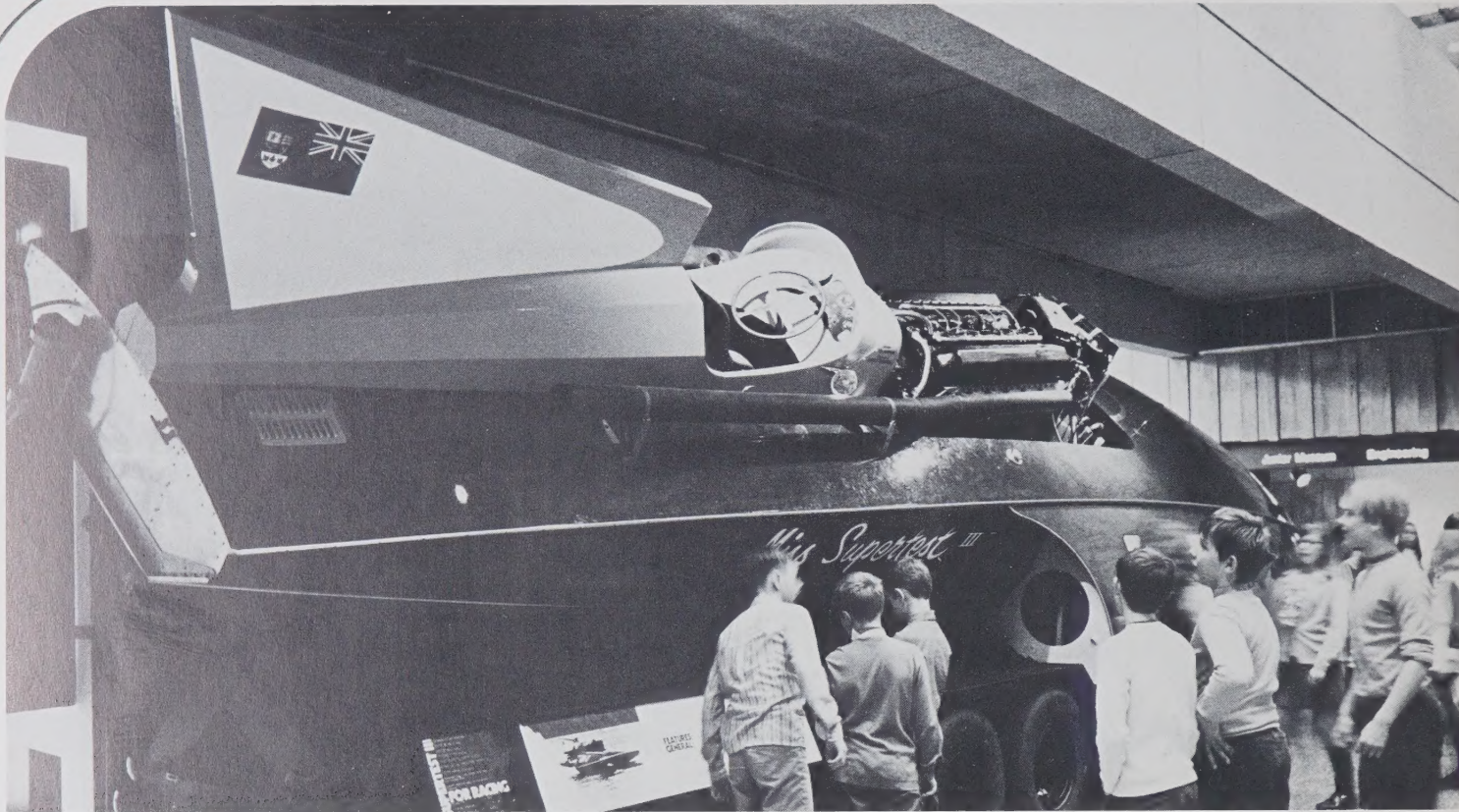
J. G. THOMPSON. . . . . Chairman of the Board  
JAMES G. THOMPSON . . . . . President  
S. C. BACON . . . . . Vice-President & General Manager  
R. W. MITCHELL. . . . . Vice-President & Secretary  
F. J. MOORE . . . . . Vice-President  
A. W. FARMILO . . . . . Vice-President  
C. C. SMITH. . . . . Treasurer  
Manager Sales Region  
F. A. VITA . . . . . West  
C. J. ENGEL . . . . . Central  
J. J. LEHMAN . . . . . East  
S. W. MANLEY . . . . . Agencies

### EXPLORATION & PRODUCTION

Supertest Investments & Petroleum Limited

A. W. FARMILO . . . . . Vice-President and  
General Manager, Calgary





Miss Supertest III, world champion unlimited speedboat is now on permanent display at the Ontario Science Centre in Don Mills, Ontario. She is daily seen by thousands of visitors including hundreds of students on their official school visits to the Centre.

During the past year, your Company's film "The Harmsworth Story" received over 400 official screenings at schools across Canada in addition to many showings on T.V. stations.

Some of the prospective acreage north of the sixtieth parallel in which the Company holds an interest.

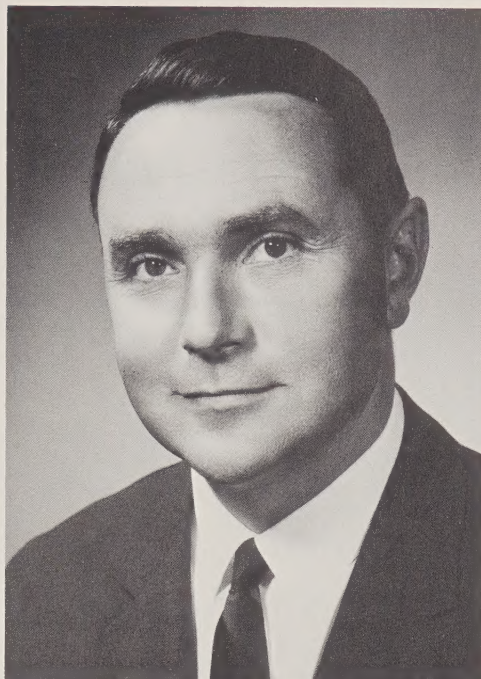






J. GORDON THOMPSON

Chairman of the Board



JAMES G. THOMPSON

President

## TO THE SHAREHOLDERS:

We are privileged, on behalf of your Board of Directors, to present this report of the activities of Supertest Petroleum Corporation, Limited for the year ended December 31, 1970, accompanied by the financial reports and the notes pertaining thereto as certified by Riddell, Stead & Co., your auditors.

During 1970 revenues rose to \$62,555,728 from \$60,248,598 and net income for the year after extraordinary items amounted to \$2,265,597, as compared to \$2,658,223 in 1969. Earnings from operations before extraordinary items were \$1,538,967 as compared to \$2,233,937, being affected by higher operating costs of all sorts and a substantial increase in the provision for income taxes, which results from reduced exploration expenditures.

While revenues have increased, costs of goods and services have also risen, thereby continuing severe pressures on marketing profit margins. In view of substantial capital investments required year by year for sound growth and healthy expansion, it is hoped that market conditions will again be such as to permit reasonable rates of return on investment.

Dividends were paid during the year in accordance with the provisions of the 5% cumulative redeemable sinking fund preference shares and at the rate of 50¢ per share on the ordinary shares and 5¢ per share on the common shares of the Company.





This new station at 130 Colborne Street, W., in Brantford was also completed towards the end of the year and replaced one of the tudor style buildings.

At the mid-year shareholders were advised that in view of a number of proposals contained in the Government's White Paper on Taxation it was considered advisable that the properties owned by your company be independently appraised. Subsequently in early December shareholders were advised that appraised values were approximately \$49,600,000 in excess of book values as set out in the Annual Report for the year 1969. It will be noted that the appraisal figures have not been taken into the current balance sheet.

The year under review was a difficult one insofar as the marketing operations of your company are concerned. Shareholders are undoubtedly aware that retail gasoline markets in Ontario and Quebec continued to be affected throughout much of the year by substantial imports of cheap refined products, and although some minor upward adjustments in selling prices took place, these scarcely offset rising costs of crude oil. In order to relieve the squeeze on margins resulting from increases in virtually all other costs including wages, goods and services, further adjustments in selling prices are overdue.

In line with your company's policy of maintaining and improving its facilities, a number of new retail outlets were built and several existing locations renovated. As part of this programme, and in order to take care of new and growing

business opportunities, several car wash facilities were selectively located in conjunction with service stations and these facilities, where installed, have been popular with customers. For the purpose of further improving service to customers a number of changes were made to product handling facilities and to office routines and procedures.

Of encouragement during the year was the Canadian Government's determination to uphold and enforce its National Oil Policy by limiting the importation of low-cost products refined offshore into Ontario west of the National Energy Line. This should now permit the industry to plan for future investment in Ontario with the assurance that the Ontario market will in fact be supplied from Canadian crude oil. In addition major international oil companies have recently experienced difficult negotiations with oil producing countries of the Middle East regarding prices, royalties and taxes. These negotiations, although apparently resolved for a few years, also point to the need for Canada to maintain a viable oil policy in order to provide markets for Canadian oil and sufficient incentives to encourage the industry to continue its search towards ensuring adequate supplies of domestic oil in the future.

The unsettled conditions in the Middle East and other offshore countries referred to above and the growing need for low sulphur



heating oils in many areas all contributed towards strengthening the demand for Western Canadian crude, particularly for shipment to the United States. In line with greater market demands and increased reserves, your company's crude oil production was higher during the year. It is anticipated that demand will continue to grow in 1971 and additional benefit should accrue to SUPERTEST as a result of increased prices for Canadian crude which came into effect at the year-end.

The amount of gas produced by your company was more than double 1969, with the Lac La Biche field producing for the entire year at rates close to expectation, and with the addition of new reserves established during the year gas production should be further enhanced in 1971.

In view of many uncertainties arising from publication of the White Paper on Taxation, exploration activities of the industry proceeded more slowly, and correspondingly exploration expenditures made by your company were at reduced levels from the previous year. Also additional emphasis is being placed on exploration in the northern regions of Canada throughout the Mackenzie Basin and the Arctic Islands, where, as reported a year ago, SUPERTEST is well represented.

With the feeling that the Mackenzie Basin and the Arctic are

The continuing programme of renovation and improvement in Supertest dealer locations was energetically developed during the year. One of the latest new stations to be completed was this one at 196 Frederick Street in Kitchener.

among the prime areas of Canada holding potential for large discoveries of crude oil and natural gas, considerable time, effort and money were spent in increasing your company's knowledge of these areas, the geology and the problems of nature and climate which have to be overcome. To this end SUPERTEST participated in various studies, including a marine seismic programme carried out this past summer, and in studies specifically designed to determine solutions to many of the difficult physical problems affecting industry operations in the far north.

Exploratory drilling, although carried out during the year at a reduced rate, resulted in several discoveries, thereby adding new areas where your company's oil and gas reserves are located, and further work will be done to determine the extent of these finds.

Your company's activities, after deducting production for the year, resulted in a gratifying increase in its reserves of crude oil. In addition natural gas reserves now stand in excess of 180 billion cubic feet.

With the growing recognition that environment is among the most important assets which Canadians have, problems of ecology and pollution are now receiving major attention. It must, however, be recognized that pollution control is a monumental and extremely costly task facing Canada which, in order to be successful, should





be approached on a logical economic basis of containment and improvement, and your company expects to play its part toward attaining this objective.

The development of anti-pollution devices to control automotive emissions is being followed closely by your company and when a practical method of controlling exhaust emissions is available on cars, SUPERTEST will, in accordance with its policy of providing Canada's finest petroleum products, have the necessary fuels available for its customers.

Although air and water pollution are possibly the most evident and highly publicized forms, garbage, trash and noise contribute as well to the general deterioration of the environment. Everyone for example, both young and old, can help immeasurably by carefully disposing of trash. This alone would do much to control pollution and substantially reduce the present high cost of keeping our streets, highways and recreational areas fit and enjoyable for public use.

The Government's White Paper on Taxation has caused Canadians much concern and was the subject of considerable debate and argument throughout the year. Many briefs were presented to Ottawa and hearings were held throughout Canada by committees of both the Senate and the House of Commons, and the Government has indicated that the long-anticipated tax legislation will be presented to Parliament soon. Canada is still a developing country and it is to be hoped, as indicated in last year's Report, that the provisions of any new legislation will be such as to encourage continuing economic growth, bearing in mind that

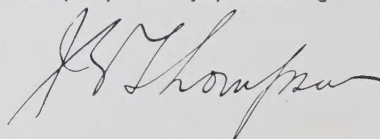
growth will require the investment of large sums of capital for the creation of new job opportunities in Canada.

In order to attract the necessary capital, whether it be from domestic or foreign sources, the Canadian economy must provide a receptive and friendly climate. Without sufficient incentive to create growth, capital will not be attracted, and costly Government schemes aimed at raising Canadian living standards could well be destined to failure.

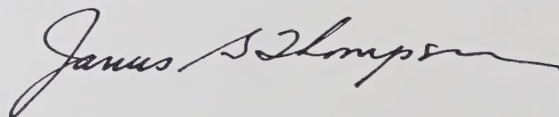
Also working against Canadian interests are the views being expressed by economic nationalists against foreign investment in Canada. It should be recognized that industry is already effectively controlled in large measure by Government through trade pacts, taxation and other regulatory bodies, both national and local in scope, and any buy-back of industry would serve little purpose and would not appear to increase employment opportunities for Canadians.

We anticipate that 1971 will be a difficult year, however if all sections of the Canadian economy — government, labour and business — will work together in moderation, a steady improvement in conditions should result. We at SUPERTEST are looking forward to the challenges and opportunities which the current year is expected to bring.

On behalf of shareholders and directors, it is our pleasure to express appreciation to all employees, agents and dealers for their contributions which are demonstrated in the success which your company has enjoyed during 1970.



Chairman of the Board



President.

It is with profound sorrow that we record the passing of Colin C. Copeman on November 19, 1970 in his 79th year.

Mr. Copeman joined the company in 1927, and in 1937 was elected a Director and named Assistant Secretary. In 1950 he was appointed Secretary-Treasurer and retired in 1957.

Even after his retirement, he continued to maintain a keen and active interest in the Company and he will be missed by his many friends and associates.





Under charter to a group of companies including Supertest, the ice strengthened vessel, "M.V. Theron" negotiating the North-West Passage last summer. In the distance is an iceberg.

A large group of dealers from Quebec District gathered at the Chateau-Frontenac last Spring to take part in a typical sales meeting.





# SUPERTEST PETROLEUM

## Consolidated Balance

### ASSETS

#### CURRENT ASSETS

Cash  
 Short-term investments, at cost and  
 approximate market value  
 Accounts receivable  
 Inventories of products and merchandise valued  
 at the lower of cost and replacement cost  
 Special refundable tax  
 Prepaid expenses and supplies

#### REFUNDABLE DEPOSITS WITH GOVERNMENTS

#### INVESTMENTS

Mortgages and loans receivable  
 Investments, at cost

#### PROPERTY, PLANT AND EQUIPMENT, at cost (Note 2)

Less — Provision for depreciation, depletion  
 and obsolescence

#### OTHER

Deferred charges  
 Commission on preference shares

|  | 1970                | 1969                |
|--|---------------------|---------------------|
|  | \$ 532,133          | \$ 1,108,256        |
|  | 3,380,000           | 2,565,000           |
|  | 9,665,071           | 9,392,768           |
|  | 982,106             | 1,007,507           |
|  | —                   | 30,634              |
|  | 342,457             | 270,156             |
|  | <u>14,901,767</u>   | <u>14,374,321</u>   |
|  | <u>101,253</u>      | <u>86,859</u>       |
|  | 2,543,820           | 2,329,083           |
|  | 433,536             | 393,690             |
|  | <u>2,977,356</u>    | <u>2,722,773</u>    |
|  | 60,935,479          | 58,543,755          |
|  | <u>27,084,735</u>   | <u>25,483,714</u>   |
|  | <u>33,850,744</u>   | <u>33,060,041</u>   |
|  | 236,294             | 267,151             |
|  | 55,474              | 55,824              |
|  | <u>291,768</u>      | <u>322,975</u>      |
|  | <u>\$52,122,888</u> | <u>\$50,566,969</u> |



# CORPORATION, LIMITED AND SUBSIDIARY COMPANIES

## Sheet as at December 31, 1970

### LIABILITIES

#### CURRENT LIABILITIES

|  |              |              |
|--|--------------|--------------|
| Accounts payable and accrued liabilities | \$10,300,657 | \$10,792,698 |
| Sales and motor fuel taxes payable       | 1,956,656    | 1,912,850    |
| Dividends payable                        | 223,281      | 223,412      |
| Income taxes                             | 815,244      | 470,416      |
| Current portion of term production loan  | 494,000      | 440,000      |

13,789,838

13,839,376

#### LONG-TERM DEBT

|  |           |           |
|--|-----------|-----------|
| Term production loan (secured under Section 82 of the Bank Act) less current portion included in current liabilities | 1,876,032 | 2,060,000 |
| Mortgages payable  | 276,536   | 256,286   |

2,152,568

2,316,286

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK

|  |               |           |
|--|---------------|-----------|
| Preference shares having a par value of \$100 each of which 15,849 shares are 5% cumulative redeemable sinking fund preference shares (Note 3) |               |           |
| Authorized   | 27,849 shares |           |
| Issued   | 15,849 shares |           |
|  | 1,584,900     | 1,594,900 |

|  |                  |           |
|--|------------------|-----------|
| Ordinary non-voting shares of no par value |                  |           |
| Authorized                                 | 1,375,000 shares |           |
| Issued                                     | 688,780 shares   |           |
|  | 5,079,750        | 5,079,750 |

|                               |                  |        |
|-------------------------------|------------------|--------|
| Common shares of no par value |                  |        |
| Authorized                    | 2,500,000 shares |        |
| Issued                        | 1,250,000 shares |        |
|                               | 25,000           | 25,000 |

6,689,650

6,699,650

#### RESERVE FOR CONTINGENCIES

265,000

265,000

#### EARNINGS RETAINED AND USED IN THE BUSINESS

29,225,832

27,446,657

36,180,482

34,411,307

#### SIGNED ON BEHALF OF THE BOARD

James G. Thompson, Director

R. W. Mitchell, Director

\$52,122,888

\$50,566,969



# SUPERTEST PETROLEUM CORPORATION, LIMITED

## AND SUBSIDIARY COMPANIES

### Consolidated Statement of Earnings for the year ended December 31, 1970

#### REVENUE

Sales and other operating revenue  
Income from investments

| 1970              | 1969              |
|-------------------|-------------------|
| \$62,100,027      | \$59,782,339      |
| 455,701           | 466,259           |
| <u>62,555,728</u> | <u>60,248,598</u> |

#### EXPENSES

Costs, operating, selling and general  
Depreciation and depletion  
Taxes, other than income taxes  
Interest on long-term debt  
Income taxes (Note 4)

|                   |                   |
|-------------------|-------------------|
| 51,674,787        | 49,199,803        |
| 2,761,528         | 2,746,054         |
| 5,035,309         | 5,035,619         |
| 206,097           | 18,798            |
| 1,339,040         | 1,014,387         |
| <u>61,016,761</u> | <u>58,014,661</u> |

#### EARNINGS BEFORE EXTRAORDINARY ITEMS (Note 5)

|           |           |
|-----------|-----------|
| 1,538,967 | 2,233,937 |
|-----------|-----------|

#### EXTRAORDINARY ITEMS

Gain on disposals  
Goodwill written off

|         |           |
|---------|-----------|
| 726,630 | 524,286   |
| -       | (100,000) |

|                |                |
|----------------|----------------|
| <u>726,630</u> | <u>424,286</u> |
|----------------|----------------|

#### NET INCOME FOR THE YEAR (Note 5)

|                     |                     |
|---------------------|---------------------|
| <u>\$ 2,265,597</u> | <u>\$ 2,658,223</u> |
|---------------------|---------------------|

### Consolidated Statement of Earnings Retained and Used in the Business for the year ended December 31, 1970

#### BALANCE AT BEGINNING OF YEAR

|              |              |
|--------------|--------------|
| \$27,446,657 | \$25,275,665 |
|--------------|--------------|

#### Net income for the year

|                   |                   |
|-------------------|-------------------|
| 2,265,597         | 2,658,223         |
| <u>29,712,254</u> | <u>27,933,888</u> |

#### Dividends declared

Preference shares  
Ordinary shares  
Common shares

|                |                |
|----------------|----------------|
| 79,532         | 80,341         |
| 344,390        | 344,390        |
| 62,500         | 62,500         |
| <u>486,422</u> | <u>487,231</u> |

#### BALANCE AT END OF YEAR

|                     |                     |
|---------------------|---------------------|
| <u>\$29,225,832</u> | <u>\$27,446,657</u> |
|---------------------|---------------------|



## Consolidated Statement of Source and Application of Funds for the year ended December 31, 1970

### SOURCE OF FUNDS

#### From operations

Earnings for the year before extraordinary items

Expenses not requiring a current cash outlay  
Depreciation and depletion

Proceeds from disposal of fixed assets

Long-term debt

Special refundable tax

### APPLICATION OF FUNDS

Acquisition of fixed assets

Dividends declared

Redemption of preference shares

Increase in investments

Reduction of long-term debt

Other items (Net)

### INCREASE IN WORKING CAPITAL

|  | 1970         | 1969         |
|--|--------------|--------------|
|  |              |              |
|  |              |              |
|  |              |              |
|  | \$ 1,538,967 | \$ 2,233,937 |
|  | 2,761,528    | 2,746,054    |
|  | 4,300,495    | 4,979,991    |
|  | 1,321,406    | 1,024,105    |
|  | —            | 2,039,419    |
|  | —            | 14,996       |
|  | 5,621,901    | 8,058,511    |
|  |              |              |
|  | 4,153,257    | 6,719,645    |
|  | 486,422      | 487,231      |
|  | 10,000       | 40,700       |
|  | 254,583      | 18,923       |
|  | 163,718      | —            |
|  | ( 23,063)    | 52,235       |
|  | 5,044,917    | 7,318,734    |
|  |              |              |
|  | \$ 576,984   | \$ 739,777   |

## Notes to Consolidated Financial Statements December 31, 1970

### NOTE 1

The consolidated financial statements include the accounts of Supertest Petroleum Corporation, Limited and all its subsidiaries.

### NOTE 2 POLICIES GOVERNING DEPRECIATION AND DEPLETION

Producing properties.

The companies follow the practice of charging exploration expenses and the carrying costs applicable to non-producing properties to income as incurred. Property acquisition costs are capitalized and charged to income if the property is subsequently surrendered. The costs of productive wells are capitalized and the costs of non-productive wells are charged to income when the wells are determined to be dry. The cost of producing properties and producing development costs are amortized on a unit of production method based upon estimated recoverable reserves of oil and gas as determined by company engineers.

Other plant and equipment.

Depreciation of physical assets is charged to income at rates computed on a reducing balance basis as permitted by the Income Tax Act which are considered adequate to extinguish the cost at the end of their estimated useful life.

### NOTE 3

The 5% cumulative redeemable sinking fund preference shares are callable at \$103 each except when redeemed for sinking fund purposes when the price is \$100 per share.



#### NOTE 4 INCOME TAXES

The companies record in their accounts depreciation and other deductions in excess of the related amounts claimed for income tax purposes and no recognition is made in the accounts for the deferred income tax benefits.

With respect to drilling, exploration and lease acquisition costs, the companies have claimed amounts which, in the aggregate, exceed the related depletion provision and other expenses included in determining the net income and no provision has been made for deferred income taxes. While this procedure conforms with general practice in the oil and gas industry, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the provision for income taxes would be based on the income reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, additional income taxes of \$135,000 (\$476,346 in 1969) would have been provided and net income for the year would have been reduced accordingly. The accumulated income tax reductions relating to all timing differences in the current and prior years amount to approximately \$1,551,000 at December 31, 1970.

#### NOTE 5 EARNINGS PER SHARE

|                            | 1970     |          | 1969     |          |
|----------------------------|----------|----------|----------|----------|
|                            | Common   | Ordinary | Common   | Ordinary |
| Before extraordinary items | → \$0.18 | \$1.79   | → \$0.27 | \$2.65   |
| After extraordinary items  | → \$0.27 | \$2.68   | → \$0.31 | \$3.14   |

Each common share participates in earnings at the rate of 1/10 of the amount attributable to each ordinary share.

#### NOTE 6

The company paid \$248,398 to directors and senior officers during the year.

## AUDITORS' REPORT

To The Shareholders  
Supertest Petroleum Corporation, Limited

We have examined the consolidated balance sheet of Supertest Petroleum Corporation, Limited and its subsidiary companies as at December 31, 1970 and the consolidated statements of earnings, earnings retained and used in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD & CO.  
Chartered Accountants

London, Ontario  
February 26, 1971



Strong, clean, dominant colours with a prestige flair give a uniform appearance to the Supertest packages which contain Canada's finest petroleum products.







Canada's All Canadian Company